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Grain and Feed

Annual

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Approved by:

David W. Cottrell

U.S. Embassy, Kuala Lumpur

Prepared by:

Raymond Hoh

Report Highlights:

The upswing in the Malaysian economy is expected to continue into 2008 fueling increased demand for wheat-based products. Wheat imports are expected to chalk a 3% increase in 2007/08 and another 4.8% in 2008/09. Consumers' confidence in consuming pork has been restored and corn import should grow by 2% to 2.7 MMT in 2007/08 and by 3.7 % to 2.8 MMT in 2008/09. As domestic rice output is expected to show a small increase, rice imports should grow moderately to about 880 TMT in 2008. The best prospect for U.S. grain sales is in the hard-wheat sector.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

The outlook for 2007/08 is bright for wheat. Imports of wheat are expected to grow in response to the increase in demand for instant noodles and biscuits for the domestic as well as the global market. Demand for feed corn rebounds in 2007/08 following reports of crackdowns on farmers using banned beta agonists in pig feed in the previous year. Post expects corn imports to increase 2 percent to 2.7 MMT in 2007/08. In 2007, rice imports could reach 800 TMT in meet the increase in domestic consumption. Vietnam and Thailand continue to be the major rice suppliers to Malaysia.

The upswing in the Malaysian economy is expected to continue into 2008 fueling increased demand for wheat-based products. Wheat imports are expected to chalk another 4.8% in 2008/09. Consumers' confidence in consuming pork has been restored and corn import should grow by 3.7 percent to 2.8 MMT in 2008/09. As domestic rice output is expected to show a small increase, rice imports should grow moderately to about 880 TMT in 2008.

The best prospect for U.S. grain sales is in the hard-wheat sector. With an expected drop in Canadian hard wheat output, U.S. should be able to capture about 13% of the Malaysian wheat market in 2007/08. As for corn, U.S. will face strong competition from Argentina and China and will be relegated to a residual supplier. Historically, the U.S. has been an insignificant player in the Malaysian rice market.

Exchange Rate: US\$1.00 = RM3.499 (Feb 23,2007); RM3.217 (Feb 23,2008)

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2006/07	80	2650	13	2658
	2007/08	90	2700	10	2770
	2008/09	100	2800	10	2880
Wheat	2006/07	0	1430	69	1339
	2007/08	0	1470	80	1330
	2008/09	0	1540	90	1430
Rice	2006	1385	900	4	2175
	2007	1480	800	3	2300
	2008	1485	880	4	2400

Corn

(in 1000 Hectares and 1000 MT)

PSD Table									
Country	Malaysia								
Commodity	Corn					(1000 HA)(1000 MT)(MT/HA)			
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008
Area Harvested	25	25	25	26	26	26	0	0	28
Beginning Stocks	291	307	291	311	330	350	334	345	360
Production	80	80	80	83	83	90	0	0	100
MY Imports	2600	2590	2650	2700	2700	2700	0	0	2800
TY Imports	2600	2590	2600	2700	2700	2700	0	0	2800
TY Imp. from U.S.	191	70	206	0	75	75	0	0	70
Total Supply	2971	2977	3021	3094	3113	3140	334	345	3260
MY Exports	10	10	13	10	8	10	0	0	10
TY Exports	10	10	13	10	8	10	0	0	10
Feed Consumption	2500	2480	2500	2600	2600	2600	0	0	2700
FSI Consumption	150	157	158	150	160	170	0	0	180
Total Consumption	2650	2637	2658	2750	2760	2770	0	0	2880
Ending Stocks	311	330	350	334	345	360	0	345	370
Total Distribution	2971	2977	3021	3094	3113	3140	0	345	3260
Yield	3.2	3.2	3.2	3.192308	3.192308	3.461538	0	0	3.571429

Production

Domestic corn production in Malaysia is insignificant.

Consumption

The current ex-farm price for broiler hovers around US\$1.23/kg compared to US\$1.14 in February 2007. The ex-farm price for chicken egg also rose from US\$0.063 in February 2007 to US\$0.088 per unit in February 2008. Most of the big broiler and layer farmers in the market reported good profits and look to another year of growth in 2007/08. Barring any unforeseen serious AI outbreak, the anticipated strong economic growth for 2008/09 augurs well for the poultry sector. The poultry farmers are set to increase the chicken population in 2008/09.

Reports of the crackdown on farmers using banned beta agonists in pig feed at the end of 2006 had a significant negative impact on pork consumption in 2006/07. Domestic consumption recovered since the latter half of CY2007. Ex-farm hog prices rebound from US\$103/100kg in February 2007 to US\$137/100kg in February 2008. Post expects domestic consumption to increase by 4 percent to 2.8 MMT in 2007/08 and by another 3.5 to 4.0 percent in 2008/09.

Trade

In line with the increase in domestic consumption, Post expects Malaysian corn imports to rise 2% to 2.7 MMT in 2007/08. The 2008/09's prospect is better with an anticipated 4% growth. The two biggest competitors to the U.S. are still Argentina and to a lesser extent, China. Even With an anticipated decrease in exportable supplies in Argentina, Malaysia will most likely increase buying of South American corn as long as the prices are below the US's. In addition, Malaysia will look for more purchases from Thailand, Burma and as far as Paraguay. Faced with these challenges, U.S. market share is expected to be around 75 TMT or less than 3% of the total market in 2007/08 and is likely to show a slight decrease in 2008/09 if China's production rebounds to normal level.

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Oct06/Aug07 for 2006, Oct07/Sep08 Not Available	Units:	1000MT
Imports for:	2006		2007
U.S.	206	U.S.	
Others		Others	
Argentina	1260		
China	573		
Thailand	129		
Burma	55		
India	43		
Indonesia	31		
Paraguay	16		
Singapore	11		
Total for Others	2118		0
Others not Listed	4		
Grand Total	2328		0

Note: Official data only include Oct 06/Aug 07.

Stocks

With the shift to buying more from South America, feed millers are expected to keep about one and a half month of stocks at the end of 2006/07 in order to adjust to the longer shipping time.

Policy

Production Policy

The GOM has no definite plans to develop a viable domestic field corn industry. Domestic corn production is unlikely to expand significantly in the foreseeable future. In recent years, the GOM has encouraged local tobacco farmers to shift to alternative crops, including sweet corn. The GOM is also interested to seek land in neighboring Indonesia to cultivate corn for the Malaysian feed market.

Market Development opportunities

GMO/Biotech Safety Issue: While Malaysia has not officially approved the imports of GM corn, it has not restricted the importation of GM corn.

In summer 2007, Malaysia passed the Biosafety Act which included a mandatory labeling provision for biotechnology derived foods. To date, Malaysia has yet to reconcile that legislation with its Food Safety Act or issue implementation guidelines. The U.S. and Malaysian trade sector have elevated concerns over the new labeling requirement due to its potential to impact trade and marketing of food products derived from genetic engineering.

A significant increase in corn consumption in Malaysia will largely depend on a robust poultry and pig industry. The GOM would likely welcome any assistance from APHIS or an international organization to prevent or deal with any recurrence of the Avian Influenza outbreak. As for the pig sector, the industry has yet to recover fully from the effects of the outbreak of the Nipah virus (Japanese Encephalitis) in 1999. As the farmers and governmental officials have to develop a modern, integrated pig farm system, there are opportunities to link resources in the U.S. to assist in the following areas:

- a. the use of good-quality US swine breeds/semen;
- b. improvement of nutrition for swine; and
- c. transfer of technical knowledge on swine management, swine housing, waste treatment and slaughter plants.

The National Swine Registry has conducted two training courses on artificial insemination and breeding management in the past. These courses were well received and Post would like to see these programs be conducted in other selected locations throughout the country. Buying missions to the U.S. should also be considered in face of growing competition from the European and Canadian counterparts. One such mission (funded by Cochran Fellowship Program) was organized in 2006 and resulted in the first shipment of 52 US breeder pigs from the US since 2001. Post is seeking Cochran fund to support another mission to the U.S. in 2008.

Wheat

(in 1000 Hectares and 1000 MT)

PSD Table									
Country	Malaysia								
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	169	220	169	146	200	200	101	210	220
Production	0	0	0	0	0	0	0	0	0
MY Imports	1202	1500	1430	1200	1600	1470	0	0	1540
TY Imports	1202	1500	1430	1200	1600	1470	0	0	1540
TY Imp. from U.S.	112	190	165	0	200	200	0	0	160
Total Supply	1371	1720	1599	1346	1800	1670	101	210	1760
MY Exports	100	80	69	120	90	80	0	0	90
TY Exports	100	80	69	120	90	80	0	0	90
Feed Consumption	25	50	40	25	50	30	0	0	30
FSI Consumption	1100	1390	1290	1100	1450	1340	0	0	1400
Total Consumption	1125	1440	1330	1125	1500	1370	0	0	1430
Ending Stocks	146	200	200	101	210	220	0	210	240
Total Distribution	1371	1720	1599	1346	1800	1670	0	210	1760
Yield	0	0	0	0	0	0	0	0	0

Production

Wheat is not produced in Malaysia.

Consumption

The Malaysian economy is expected to grow 5.0 to 6.5% in 2008. The current high palm oil price and climbing stock market index contribute to higher purchasing power. Post expects a 3% growth in wheat consumption for the 2007/08 and another 4.8% in 2008/09. Cafés and delis are becoming very popular in major cities throughout the country. More health-conscious consumers are also going for high-fiber wholemeal bread. Bakeries are also looking into manufacturing bakery products for distributing to neighboring countries such as Singapore, Thailand, Indonesia and the Philippines. Overseas demand for Malaysian biscuits and noodles recorded strong growth in 2007 with the main markets being Singapore and Indonesia. For the first eight months of 2007, exports of packaged instant noodles also recorded a 30% increase with Singapore, Brunei and the Middle East being the top markets. Millers expect further growth in the manufacturing of instant noodles and biscuits for the domestic as well as the global market during 2007/08.

The Malaysian Government controls the domestic wheat prices by under the Supplies Regulation Act (1974). Effective May 14 2007, the retail general-purpose wheat flour price was increased from RM1.20 (US\$0.34) to RM1.35 (US\$0.42) per kilo, the first increase since 1997. However, the price of wheat flour for industrial uses, which is not a controlled item has increased to RM2,370 (US\$736)/MT since October 2007. The price hike seems not to have a negative impact on wheat consumption although millers and commercial bakers have complained about narrow margins and losses.

Trade

With a good outlook for the noodle/biscuit export market, Post expects a 3 percent increase in imports in 2007/08. With a slightly better crop but lesser exportable supplies in 2007/08, Australia will not likely be able to capture more than 60 percent of the total Malaysian wheat import market. Traditionally, Malaysia is a favored market for the Australian wheat exporters. With an expected drop in Canadian hard wheat output, the US market share could increase to 13% in 2007/08. The main purchaser liked the quality of US wheat and had high regard for the efforts of USWA's marketing program. Malaysia also turned to competitively priced wheat from Russia and the Ukraine.

Malaysia exports remained at about 69 TMT (wheat equivalent) of wheat flour to Singapore, Thailand and Brunei in 2006/07. Post expects an uptrend in exports in the near term as millers are making extra efforts to export 1kg pack flour to Singapore, the Philippines and Thailand in the coming year.

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul06/Jun07 for 2006, Jul07/Aug07 for 2007	Units:	1000MT
Imports for:	2006		2007
U.S.	165	U.S.	19
Others		Others	
Australia	857	Australia	146
Canada	213	China	41
Argentina	163	Canada	37
Pakistan	28	Pakistan	19
China	2	Argentina	5
Ukraine	1		
Total for Others	1264		248
Others not Listed	1		
Grand Total	1430		267

Wheat Exports

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul06/Jun07 for 2006, Jul07/Aug07 for 2007	Units:	1000MT
Exports for:	2006		2007
U.S.		U.S.	
Others		Others	
Singapore	44	Singapore	9
Thailand	16	Thailand	2
Brunei	4	Brunei	1
Philippines	3		
Indonesia	2		
Total for Others	69		12
Others not Listed			1
Grand Total	69		13

Marketing

Market Development Opportunities

GIPSA's program of sending 1 - 2 officers to the ASEAN region for a three-month stint every year since mid-2002 is in the right direction. Millers/importers welcome the opportunity to iron out various dissatisfactions over quality issues. In addition, GIPSA should have a good opportunity to do outreach work. Perceived poor quality image of US grains and beans has to be addressed seriously by USWA and GIPSA.

In normal times, U.S. wheat is less price-competitive than Canadian wheat. Furthermore, the Canadian Board is a one-stop, 'solve all problems' center with the authority to quote prices as well as handle freights and logistics. This system appeals to the Malaysian purchasers. In addition, wheat boards in Canada and Australia can offer price discounts that render US as a residual supplier. The Canadian Wheat Board is putting much effort to produce a variety for the Malaysian noodle sector. USWA has to do some catching up to avoid losing some of its market share. Millers have shown much interest in purchasing Hard White Wheat but, unfortunately, the US's supply is limited.

On-going activities such as regional buyers conventions and training trips to the U.S., conducted by USWA, are well received by the local millers/purchasers. Expanded baking training facilities at FFM (a local miller) offer opportunities for USWA to do outreach activities.

Rice

(in 1000 Hectares and 1000 MT)

PSD Table									
Country	Malaysia								
Commodity	Rice, Milled								
	2006	Revised		2007	Estimate		(1000 HA)(1000 MT)(MT/HA)		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Area Harvested	645	645	645	660	660	660	0	0	660
Beginning Stocks	356	330	356	468	400	462	418	350	439
Milled Production	1400	1400	1385	1450	1450	1480	0	0	1485
Rough Production	2154	2154	2154	2231	2231	2275	0	0	2285
Milling Rate (.9999)	6500	6500	6430	6500	6500	6505	0	0	6500
MY Imports	900	820	900	800	720	800	0	0	880
TY Imports	800	820	900	700	720	800	0	0	880
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	2656	2550	2641	2718	2570	2742	418	350	2804
MY Exports	13	0	4	0	0	3	0	0	4
TY Exports	13	0	4	0	0	3	0	0	4
Total Consumption	2175	2150	2175	2300	2220	2300	0	0	2400
Ending Stocks	468	400	462	418	350	439	0	350	400
Total Distribution	2656	2550	2641	2718	2570	2742	0	350	2804
Yield (Rough)	3.339535	3.339535	3.339535	3.380303	3.380303	3.44697	0	0	3.462121

Production

Preliminary estimates indicate a 7 percent increase in milled rice production to 1.48 MMT in 2007. Favorable weather conditions in most part of the country and an increase in harvested area contributed to a jump in padi yields which had a positive impact on output.

The outlook for 2008 is optimistic with harvested area at the normal level of 660,000 hectares. Weather conditions have been favorable to date. Post forecast rice production at 1.45 MMT for 2008. For the longer term, the GOM is encouraging large-scale private sector commercial padi production, especially in the states of Sabah and Sarawak, where land is still abundant.

Consumption

Domestic consumption increased by 5.7% to 2.3 MMT in 2007. This amount includes unofficial rice imports from neighboring Thailand. Malaysia is about 64-65% self-sufficient. Post expects consumption to increase by about 4% in 2008 as Malaysia expects the country continues to see an in-flow foreign workers and tourists into the country. While rice consumption per capita shows a slight increase from 81.6 kg in 2006 to 84.6 kg in 2007, the figure does not account for the influx of foreign workers and tourists into the country. In reality, the domestic consumption per capita is about 72 to 75 kg and it has been on the slide vis-à-vis the consumption of wheat over the last two decades.

The retail price of standard grade rice is fixed at RM1 (US\$0.32) per kg. Attempts by BERNAS' (the sole rice importer) to increase rice prices have been squashed by the GOM.

Trade

Imports of 900 TMT in the trade matrix include unofficial rice imports of 58 TMT from neighboring Thailand in 2006. Thailand and Vietnam were the top suppliers followed by Pakistan, Burma and India. Rice sales from U.S. amounted to only 293 MT, mainly Calrose rice consumed by Japanese and Korean expatriates.

In 2007, rice imports (including unofficial imports) could reach 800 TMT with Vietnam and Thailand being the major suppliers. (Official preliminary imports recorded at 734 TMT for Jan-Nov 2007). Post expects a 10 percent increase in exports in 2008 to meet the increase in domestic demand as well as to compensate a smaller carry-in stock level at the beginning of 2008.

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time Period	Jan-Dec for CY06, Jan-Aug for CY07	Units:	1000MT
Imports for:	2006		2007
U.S.		U.S.	
Others		Others	
Vietnam	449	Thailand	327
Thailand	349	Vietnam	219
Pakistan	28	Pakistan	23
Burma	8	India	6
India	8	Cambodia	2
		Australia	1
Total for Others	842		578
Others not Listed			1
Grand Total	842		579

Policy

Production Policy

Under the Ninth Malaysia Plan (NMP) (2006 –2010), the GOM adopted a policy goal to increase the current 65% self-sufficiency to 90% in rice production by 2010. Given the lack of land available for production and the current cultivation practices, not much has been achieved to date. One small hope towards achieving the target is the introduction of 'mini estates' by grouping padi farmers together to form a 158 hectare estate. From the first project in the northern part of the Peninsula, average yields have improved from less than four to five tons per hectare. However, it is still a long way from achieving the NMP's goal.

The support price for padi rice has increased from RM55.00 to RM65 per 100 kg in 2005. In addition, all rice farmers receive a subsidy of RM25 per 100 kg of padi delivered to a licensed mill or drying facility.

Marketing

Rice imports from the United States are mainly Calrose rice consumed by Japanese and Korean expatriates. Contributing factors to the U.S. absence from the market include lower prices from neighboring suppliers; the desire to enhance regional relationships and cheaper freight & shorter shipping times for competitors' rice. While the opportunities for sales of U.S. rice in Malaysia are still very limited, the absence of a price ceiling on imported high grade rice may help to create a small niche market for imports of branded, packaged rice, especially for the organic food sector in the United States.